



# Valley Clean Energy Board Meeting

October 18, 2018

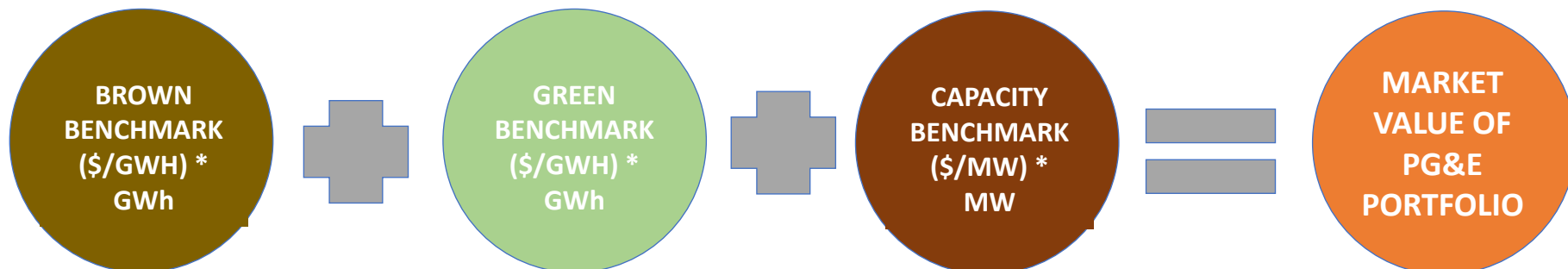
Davis

# Agenda Item 16: Power Charge Indifference Adjustment (PCIA)

# PCIA History/Comparisons

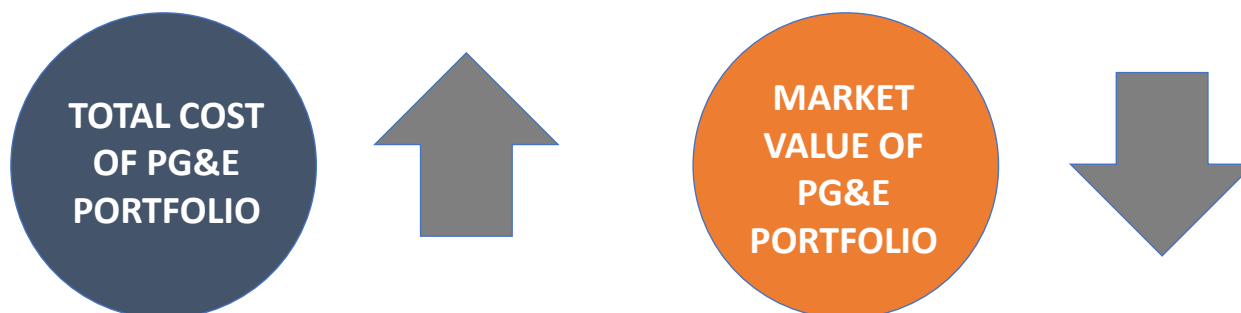
- Law requires remaining PG&E customers to be left economically “indifferent” to VCE’s customers leaving PG&E’s service.
- The PCIA is the “exit fee” that is intended to ensure such indifference.
- The PCIA can be negative (PG&E customers paying VCE customers) or positive (VCE customers paying PG&E customers)

# PCIA History/Comparisons

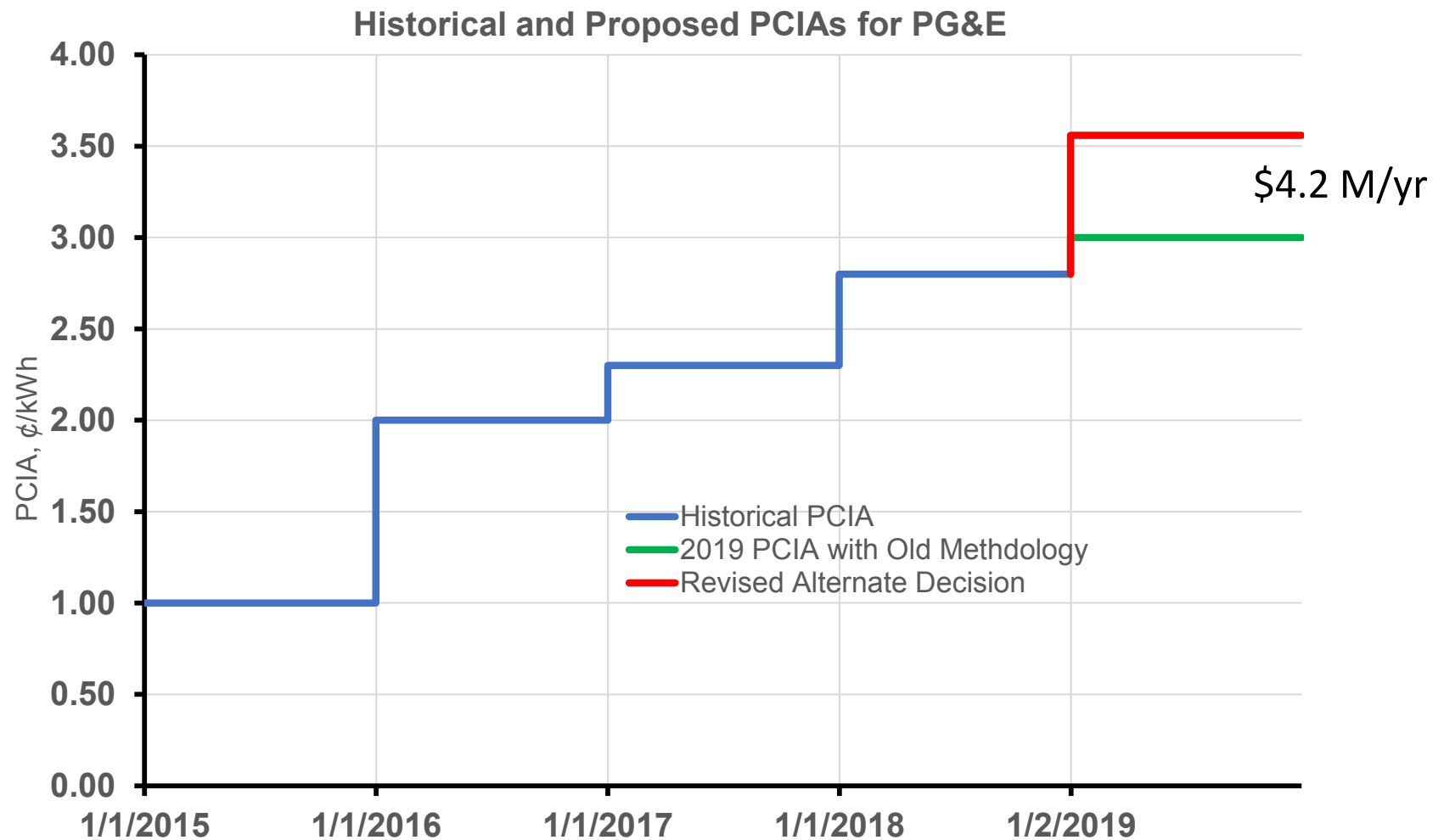


# PCIA History/Comparisons

- **The CPUC has been considering changes to the method for calculating PCIA.**
  - On Aug 1, the Judge issued a proposed decision (“PD”) on PCIA changes that was generally acceptable to CCAs
  - On Aug 14, the presiding Commissioner issued an alternate proposed decision (“APD”) that was generally favorable to PG&E
  - On Oct 5, the presiding Commissioner issued a revised alternative proposed decision (replacing the first APD) that had some small tweaks to the APD
- **On October 11, the CPUC voted 5-0 to adopt the revised APD**
  - The APD no longer keeps the 10 year limit on costs recovery for certain PG&E-owned generation (increases Total Portfolio Cost)
  - Reduces the benchmarks for green power and capacity (Reduces Portfolio Value)
  - Increases the PCIA



# PCIA History/Comparisons



# PCIA – Impact on VCE Financials

## Base Case

- VCE Financials with 2019 PCIA Calculated under Prior Methodology
- Assumes slight annual PG&E rate increases
- General outcomes are fiscally positive, meet business financial objectives and allow VCE to pursue core mission objectives

# PCIA – Impact on VCE Financials

## Base Case Adjusted for Higher PCIA (Alternate Proposed Decision)

- 2019 and 2020 are “pinch” years
  - Net Margin significantly below desirable levels
  - Would not meet contractual obligation to fund reserves
- Low Net Margin runs counter to sound financial management
- General outcomes: significant fiscal impact, does not meet business financial objectives and significantly impacts VCE’s ability to pursue core mission objectives



# PCIA – Impact on VCE Financials

## **Base Case Adjusted for Higher PCIA and flat PG&E rates (APD + best available information on PG&E rates for 2019)**

- Negative Net Income violates loan covenants
- General outcomes: further significant fiscal impact, does not meet business financial objectives and further impacts VCE's ability to pursue core mission objectives
- Requires policy action by VCE

# PCIA -Impact on VCE Financials, Policy Options

## Policy Options

- Reduce/eliminate rate discount
- NEM enrollment deferral
- Reduce renewable/clean energy content
- Trim operating costs (Approx 10% incorporated into current model - ~\$500k/yr)

# PCIA – Impact on VCE Financials

## **New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount**

- 2019 remains below business financial objectives but improves
- 2020 declines from 2019 financial position

# PCIA – Impact on VCE Financials

## **New 2019 PCIA, Flat PG&E Rates and No VCE Rate Discount, NEM Roll-in After 2020**

- 2019 Improves but is still below business financial objectives
- 2020 Remains below business financial objectives

# PCIA – Policy Levers Discussion

## **Fiscal Benefits of Eliminating Rate Discount and Deferring NEM Enrollment until 2021**

- It provides financial relief during the pinch years of 2019 and 2020 and creates minimal cushion against other possible events that could impact finances
- With the current NEM roll-in planned for January 1, 2019, VCE has opportunity to further delay that roll-in
- Avoids having to change the renewable/clean power mix
- NEM customers are still benefitting from their solar systems and are still contributing to the grid de-carbonization
- Retains price competitiveness
- Could move to a rate discount/rate rebate structure that leaves the opportunity for customer bill reductions – i.e Monterey Bay Community Energy

# Future Decisions

## Tentative Calendar

1. Late Oct/Early Nov – Special Meeting/working session on PCIA impacts and policy response
  - More refinement on the economic analysis
2. November Board Meeting (move to week of 11/12)
  - Additional PCIA information from CPUC rolled into analyses
  - Policy recommendation/action
3. December
  - Conditional Decision on 2019 rates (pending actual PG&E 2019 rates)
  - Any remaining decisions

